

THE INVERCARGILL CITY CHARITABLE TRUST BOARD

## Financial Report

For the 6 months ended 31 December, 2019

# **THE INVERCARGILL CITY CHARITABLE TRUST BOARD**

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# **THE INVERCARGILL CITY CHARITABLE TRUST BOARD**

## **ENTITY INFORMATION**

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### **Legal name**

The Invercargill City Charitable Trust Board (the Trust).

### **Type of entity and legal basis**

The Trust is incorporated in New Zealand under the Charitable Trusts Act 1957. The Trust is a Council Controlled Organisation of the Invercargill City Council as defined in section 6 (1) of the Local Government Act 2002.

### **Charities Services registration number**

CC32606

### **The Trust's purpose or mission**

The primary objective of the Trust is to fund both capital and income for charitable purposes within the Invercargill district.

### **Structure of the Trust's operations, including governance arrangements**

The Trust comprises a Board of three Trustees who oversee the governance of the Trust. The Trustee positions are held by the Mayor, Deputy Mayor and Chief Executive of the Invercargill City Council. Day-to-day operations of the Trust and reporting to the Board is administered by staff provided by Invercargill City Council.

### **Trustees**

T R Shadbolt (ICC Mayor)

T Biddle (ICC Deputy Mayor)

C V Hadley (ICC CEO)

### **Main sources of the Trust's cash and resources**

Operating grants and donations received from Invercargill City Council and other community funders are the primary sources of funding for the Trust.

### **Outputs**

The main outputs of the Trust are for costs incurred in the management, staging and promotion of the Southland Buskers Festival, and costs relating to the ownership and maintenance of Rugby Park Stadium.

### **Registered office**

C/- Invercargill City Council  
101 Esk Street  
Invercargill

### **Postal address**

Private Bag 90-104  
Invercargill  
Phone (03) 2111 777  
Fax (03) 2111 692

### **Bankers**

Bank of New Zealand  
84 Esk Street, Invercargill

### **Solicitors**

Preston Russell Law  
45 Yarrow Street, Invercargill

### **Auditor**

Audit New Zealand  
on behalf of the Auditor - General

# THE INVERCARGILL CITY CHARITABLE TRUST BOARD

## COMMENTARY

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### Year to date

#### *Revenue:*

Total revenue for the six months to 31 December is \$10k lower than the prior period, with a total of \$24k received in the current period (prior period \$34k). The variance relates to more grants (for the Buskers Festival) having been received at this time last year (\$28.5k) versus \$22k this year.

#### *Expenditure:*

Total expenditure for the six months to 31 December is \$647k higher than the prior year, with total expenditure of \$887k in the current period (prior period \$240k). An expenditure of \$638,417 has been recognised for the first time this year for a liability relating to the lease agreement with Rugby Southland, taken on when ICCT took over the owner of Rugby Park Stadium (refer note 11). Depreciation expense has increased by \$5k from the prior period to \$219k this year (prior period \$214k). The increase in depreciation expense is as a result of the increase in value of Rugby Park Stadium after the revaluation of assets at 30 June 2019.

Costs relating to the Buskers Festival have increased by \$3k from the prior period to \$22k in the current period (prior period \$19k).

For the six months ending 31 December 2019, there is a deficit of \$224k, which is \$19k more than the prior period deficit of \$205k.

The deficit is due to the depreciation expense, however, excluding the cost of depreciation, there is still a deficit of \$4k. This is due to more expenses for the Buskers Festival having been paid, than income received for the Buskers Festival as at 31 December 2019. This deficit will be offset by grants that have been approved for the Buskers Festival but not yet received in the second half of the year.

### Full year projection

#### *Revenue:*

Total revenue for the year ended 30 June 2020 is forecast to be \$177k. Of this, we have received 24k as at 31 December 2019. The remaining \$153k is expected to be made up of:

- A grant of \$100k from ICC for the maintenance of Rugby Park Stadium
- A further \$37k in grants for the Buskers Festival
- The remaining \$16k relates to recovery of audit fees from ICC and interest income

#### *Expenditure:*

Total expenditure for the year ended 30 June 2020 is forecast to be \$1.16m. Of this, \$248k of expenses have been paid or accrued for as at 31 December 2019. The remaining \$275k of expenses is expected to be made up of:

- A further \$38k in expenses relating to the Buskers Festival
- Audit fees of \$14k
- A further \$3k rates expense relating to Rugby Park Stadium
- A further \$219k of depreciation expenditure relating to Rugby Park Stadium
- The remaining \$4k of expenditure relates to interest expense (on the \$19,500 loan from Southland Amateur Sports Trust) and administration fees

As at 30 June 2020, a net deficit of \$984k is forecast. Excluding the depreciation expense and the recognition of the liability relating to Rugby Park Stadium, there would be a surplus of \$93k. The surplus is because there is no forecasted expenditure for Rugby Park Stadium and therefore the \$100k grant provided by ICC for Rugby Park Stadium remains largely unspent.

**THE INVERCARGILL CITY CHARITABLE TRUST BOARD**

**STATEMENT OF FINANCIAL**

**For the 6 months ended 31 December, 2019**

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	<i>Note</i>	<b>2019</b> <b>\$</b>	<b>2018</b> <b>\$</b>
<b>Revenue</b>			
Council funding	1	389	3,316
Grants	2	22,000	28,500
Interest income		2,030	2,572
Other revenue		67	-
<b>TOTAL REVENUE</b>		<b>24,486</b>	<b>34,388</b>
<b>Expenses</b>			
Audit fees		(422)	-
Buskers festival	3	22,200	19,100
Depreciation	10	219,370	214,568
Interest expense		634	-
Other expenses	4	6,496	6,090
<b>TOTAL EXPENSES</b>		<b>248,278</b>	<b>239,758</b>
<b>Other Expenses</b>			
Rental Liability - Rugby Southland	11	638,417	-
<b>TOTAL OTHER EXPENSES</b>		<b>638,417</b>	<b>-</b>
<b>TOTAL SURPLUS / (DEFICIT)</b>		<b>(862,209)</b>	<b>(205,370)</b>

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The Statement of Accounting Policies and Notes form an integral part of, and should be read in conjunction with these financial statements.

**THE INVERCARGILL CITY CHARITABLE TRUST BOARD**

**STATEMENT OF FINANCIAL POSITION**

As at 31 December, 2019

	Note	2019 \$	2018 \$
<b>Assets</b>			
<i>Current assets</i>			
Bank accounts and cash	5	388,566	281,954
Accrued revenue	6	17,153	26,610
GST receivable		1,567	-
<b>TOTAL CURRENT ASSETS</b>		<b>407,286</b>	<b>308,564</b>
<i>Non-current assets</i>			
Property, plant and equipment	10	17,268,630	15,672,163
<b>TOTAL NON-CURRENT ASSETS</b>		<b>17,268,630</b>	<b>15,672,163</b>
<b>TOTAL ASSETS</b>		<b>17,675,916</b>	<b>15,980,727</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Creditors and accrued expenses	7	4,499	-
GST payable		-	1,888
Borrowings	8	19,500	19,500
Rugby Southland Rental Liability	11	47,000	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>70,999</b>	<b>21,388</b>
<i>Non-current liabilities</i>			
Rugby Southland Rental Liability	11	591,417	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>591,417</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>662,416</b>	<b>21,388</b>
<b>TOTAL ASSETS less TOTAL LIABILITIES</b>		<b>17,013,500</b>	<b>15,959,339</b>
<b>Equity</b>			
Accumulated surpluses	9	14,983,096	15,959,339
Asset revaluation reserve	9	2,030,404	-
<b>TOTAL TRUST EQUITY</b>		<b>17,013,500</b>	<b>15,959,339</b>

  
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TRUSTEE

  
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TRUSTEE

The Statement of Accounting Policies and Notes form an integral part of, and should be read in conjunction with these financial statements.

## THE INVERCARGILL CITY CHARITABLE TRUST BOARD

### STATEMENT OF CASH FLOW

For the 6 months ended 31 December, 2019

	Note	2019 \$	2018 \$
<b><i>Cash flows from operating activities</i></b>			
Receipts of council funding		100,000	2,819
Receipts of subsidies, grants and donations		22,000	29,000
Receipts of other income		10,240	-
Interest receipts		2,030	2,572
Payments to suppliers		(50,663)	(39,728)
GST (net)		1,190	(2,013)
<b>Net cash flow from / to operating activities</b>		<b>84,797</b>	<b>(7,349)</b>
<b><i>Cash Flows from investing and financing activities</i></b>			
Purchase of property, plant, and equipment		-	-
Repayment of borrowings		-	-
<b>Net cash flow from / to investing and financing activities</b>		<b>-</b>	<b>-</b>
Net increase/ (decrease) in cash		84,797	(7,349)
Opening cash balance		303,769	289,304
<b>CLOSING CASH BALANCE</b>		<b>388,566</b>	<b>281,955</b>

The Statement of Accounting Policies and Notes form an integral part of, and should be read in conjunction with these financial statements.

# **THE INVERCARGILL CITY CHARITABLE TRUST BOARD**

## **STATEMENT OF ACCOUNTING POLICIES**

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### **ACCOUNTING POLICIES APPLIED**

#### ***GENERAL INFORMATION***

The financial statements presented here are for the Invercargill City Charitable Trust Board ("the Trust"), which is a Trust incorporated and domiciled in New Zealand on 16 October 1984.

The financial statements of the Trust are for the six months ending 31 December 2019.

#### ***BASIS OF PREPARATION***

The Board has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting - Accrual (Public Sector) on the basis that the committee does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Board of Trustees do not have the power to amend the financial statements once they have been issued.

### **SIGNIFICANT ACCOUNTING POLICIES**

#### ***SUBSIDIES AND GRANTS REVENUE***

Subsidies and grants are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met ("use or return condition"). If there is such an obligation, the subsidy or grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

#### ***EXPENDITURE***

All expenditure is recognised in the Statement of Financial Performance in the period in which it is incurred.

#### ***GRANTS PAID***

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Trust has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Trust's decision.

#### ***BANK ACCOUNTS AND CASH***

Bank accounts and cash comprise cash on hand, cheque or savings accounts, deposits held at call with banks, and other short-term highly liquid investments with original maturities of less than three months.



## **THE INVERCARGILL CITY CHARITABLE TRUST BOARD**

### **STATEMENT OF ACCOUNTING POLICIES**

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#### ***PROPERTY, PLANT AND EQUIPMENT***

Property, plant and equipment are measured at fair value, less accumulated depreciation and impairment losses.

#### ***Additions***

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably.

#### ***Subsequent Costs***

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the committee and the cost of the item can be measured reliably.

#### ***Disposals***

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Financial Performance. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

#### ***Revaluation***

Property, plant and equipment are revalued with sufficient regularity (at least every three years) to ensure that the carrying amount does not differ materially from the fair value.

Revaluation movements are accounted for on an asset class basis.

The net revaluation results are credited or debited to other comprehensive revenue, and are accumulated to an asset revaluation reserve in equity. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue, but is instead recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value is recognised in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue.

#### ***Depreciation***

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

#### ***BORROWINGS***

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

#### ***GOODS AND SERVICES TAX***

The Trust is registered for GST. All amounts in the financial statements are recorded exclusive of GST, except for debtors and creditors, which are stated inclusive of GST.

#### ***CHANGES IN ACCOUNTING POLICIES***

There have been no changes in accounting policies during the reporting period.

**THE INVERCARGILL CITY CHARITABLE TRUST BOARD**

**NOTES TO THE FINANCIAL STATEMENTS**

<b>1 Council funding</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Grants	-	-
Rent, fees and recoveries	389	3,316
<b>Total council funding</b>	<b>389</b>	<b>3,316</b>
<b>2 Grants</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<i>Grants provided for Buskers Festival</i>		
ILT Foundation	11,000	11,000
Invercargill Licensing Trust (ILT)	11,000	11,000
The Southern Trust	-	6,500
<b>Total grants</b>	<b>22,000</b>	<b>28,500</b>
<b>3 Buskers festival</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<i>Expenses relating to the Buskers festival</i>		
Performers, travel and accommodation	17,800	15,600
Advertising	3,100	2,400
Production and technical	1,300	1,100
<b>Total grants</b>	<b>22,200</b>	<b>19,100</b>
<b>4 Other expenses</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Rates	3,428	3,322
Administration fees	2,235	2,267
Other	833	501
<b>Total grants</b>	<b>6,496</b>	<b>6,090</b>

# THE INVERCARGILL CITY CHARITABLE TRUST BOARD

## NOTES TO THE FINANCIAL STATEMENTS

5 <i>Bank accounts and cash</i>	2019 \$	2018 \$
Cash at bank	388,566	281,954
<b><i>Total bank accounts and cash</i></b>	<b>388,566</b>	<b>281,954</b>
6 <i>Accrued revenue</i>	2019 \$	2018 \$
Audit fee recovery	17,153	12,879
Rates recovery	-	2,731
<b><i>Total bank accounts and cash</i></b>	<b>17,153</b>	<b>15,610</b>
7 <i>Accrued expenses</i>	2019 \$	2018 \$
Interest on borrowings	1,901	-
Administration fee	2,520	-
Other expenses	78	-
<b><i>Total bank accounts and cash</i></b>	<b>4,499</b>	<b>-</b>
8 <i>Borrowings</i>	2019 \$	2018 \$
Southland Amateur Sports Trust	19,500	19,500
<b><i>Total borrowings</i></b>	<b>19,500</b>	<b>19,500</b>
9 <i>Equity</i>	2019 \$	2018 \$
<b>Accumulated funds</b>		
Balance at 1 July	15,845,305	16,164,709
Surplus/(deficit) for the year	(862,209)	(205,370)
<b><i>Balance at 31 December</i></b>	<b>14,983,096</b>	<b>15,959,339</b>

# THE INVERCARGILL CITY CHARITABLE TRUST BOARD

## NOTES TO THE FINANCIAL STATEMENTS

### Equity continued

#### Asset revaluation reserve

Balance at 1 July	2,030,404	-
Property, plant and equipment revaluation gains	-	-
<b>Balance at 31 December</b>	<b>2,030,404</b>	<b>-</b>

### 10 Property, plant & equipment

	Land \$	Buildings \$	Property Improvements \$	Total \$
<b>Cost</b>				
Carrying amount at	1,500,000	14,187,000	1,801,000	17,488,000
Additions	-	-	-	-
Disposals (net of accumulated depreciation)	-	-	-	-
Depreciation expense	-	(158,895)	(60,475)	(219,370)
<b>Carrying amount at</b>	<b>1,500,000</b>	<b>14,028,105</b>	<b>1,740,525</b>	<b>17,268,630</b>
<b>Carrying amount at</b>	<b>985,000</b>	<b>13,159,364</b>	<b>1,742,367</b>	<b>15,886,731</b>
Additions	-	-	-	-
Disposals (net of accumulated depreciation)	-	-	-	-
Depreciation expense	-	(154,246)	(60,322)	(214,567)
<b>Carrying amount at</b>	<b>985,000</b>	<b>13,005,118</b>	<b>1,682,045</b>	<b>15,672,163</b>

The valuation of property, plant and equipment was performed by an independent registered valuer, Mr A Ronald, QV Asset and Advisory. The valuation is effective as at 30 June 2019. The Trust has elected to apply PBE IPSAS 17 Property, Plant and Equipment in measuring the value of Rugby Park Stadium.

The fair value of land was based on the direct sales comparison approach.

Due to the specialised nature of the property (being valued), market based evidence is unavailable and depreciated replacement cost was considered to be the most appropriate basis for determining the fair value.

Replacement cost rates have been estimated from construction contracts of like assets, reference to publications such as QV Cost Builder, recent costings obtained from construction details and Property Institute of New Zealand's cost information.

The effective age of the structures have been sourced from the records held by Quotable Value Ltd where available, otherwise based on visual inspection.

# THE INVERCARGILL CITY CHARITABLE TRUST BOARD

## NOTES TO THE FINANCIAL STATEMENTS

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### 11 *Rugby Park Lease Liability*

A lease agreement was entered into by Southland Outdoor Stadium Trust (SOST) and Rugby Southland Inc, for the lease of administration offices at Rugby Park Stadium for the annual lease of \$55,000 pa (excl GST) for a term of 16 years, commencing 1 April 2015. As per the lease agreement, the whole amount of the lease, being \$880,000, was paid at the commencement of the lease.

On transfer of the ownership of Rugby Park Stadium to ICCT on the 8th July 2016, ICCTB also took over the lease agreement with Rugby Southland and subsequently the liability of the prepaid lease. At the time of acquisition, the total liability owing to Rugby Southland would have been \$810,195.

The lease agreement was updated on the 1st April 2018 extending the term to 18 years and 4 months, resulting in a new expiry date of 31 July 2033. The annual rent was also decreased to \$47,000 pa (excl GST), therefore, at the commencement of the updated lease agreement, the total liability owing was recalculated at \$720,667.

As at 30 June 2019, a liability of \$661,917 should have been recorded, and as at 31 December 2019, this liability is \$638,415.

The liability has been reflected in this years accounts for the first time, resulting in a net deficit for the 6 months to 31 December 2019 of \$862,209.

### 12 *Audit fees*

Audit fees accrued for the six months to

Audit fees are recovered from the

### 13 *Related Parties*

		2019	2018
		\$	\$
Invercargill City Council	Value for year	-	-
The Trust is reimbursed for audit fees	Balance outstanding	17,153	-
<i>(Four Trustees are part of Invercargill City Council)</i>			

### 15 *Events after balance sheet date*

There were no significant events between period end and the signing of the financial statements.

### 16 *Contingencies and commitments*

There are no known contingent liabilities (or assets) at 31 December 2019 (31 Dec 2018: Nil)

There are no known commitments as at 31 December 2019 (31 Dec 2018: Nil)

### 17 *Tax*

The Trust is a charitable organisation registered with Charities Services and is therefore exempt from taxation.